

This letter provides a reference to the Department's rules regarding sales through a chit system to governmental bodies. See 86 Ill. Adm. Code 130.2007. (This is a GIL.)

December 29, 2005

Dear Xxxxx:

This letter is in response to your letter dated September 8, 2004, in which you request information. We apologize for the delay in responding to your inquiry. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.ILTAX.com](http://www.ILTAX.com) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We operate a local restaurant located adjacent to the GOVERNMENTAL BODY in CITY, Illinois. We have an arrangement with the GOVERNMENTAL BODY to accept their meal chits (valued up to \$4.25 per day per person) in partial payment for meals purchased by military personnel. We submit them on a monthly basis for reimbursement.

The GOVERNMENTAL BODY purchasing representative told us that they are tax exempt and he has provided their tax exempt form. However, when we contacted the Illinois Department of Revenue, we were advised that the meal chits are considered part of their salary and therefore are not tax exempt.

We would like a written ruling concerning tax exempt sales and whether we should be collecting sales tax, or not, under these specific circumstances.

Please mail to the above address at your earliest convenience.

#### **DEPARTMENT'S RESPONSE:**

Sales to a governmental body are subject to tax unless the governmental body has an active exemption identification "E" number. See 86 Ill. Adm. Code 130.2080. If an organization or

governmental body does not have an “E” number, then its purchases are subject to tax. Please be aware that only sales to the organization or governmental body holding the “E” number are exempt, not sales to individual members of the organization. See 86 Ill. Adm. Code 130.2007.

Meals purchased by a governmental entity with an active exemption identification number “E” number through a “chit” system that is billed directly to that governmental entity would generally qualify as exempt for sales tax purposes. Please note that only that part of the gross receipts for the meal represented by the “chit” would be exempt from tax. The remainder of the gross receipts from those meal sales would be subject to tax.

I hope this information is helpful. If you require additional information, please visit our website at [www.ILTAX.com](http://www.ILTAX.com) or contact the Department’s Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Terry D. Charlton  
Senior Counsel, Sales & Excise Taxes

TDC:msk